

AFFIDAVIT OF JOHN JACK

Re: Commercial Success of the GoalQuest Program

I, John M. Jack, having been duly sworn, do solemnly state as follows:

1. I am a senior vice president of Schoeneckers, Inc. ("Schoeneckers"), in the Innovative Resources Department. At the time of the filing of patent application Serial No. 09/376,811 (the "Application"), I was in charge of product development and remain in that position with Schoeneckers. I am also one of the inventors listed on the Application, along with Joseph C. Jenniges and Stephanie Binzen.
2. Schoeneckers is the owner of the Application by assignment. Schoeneckers is in the business of providing comprehensive incentive programs to clients for use in their business operations.
3. One of my roles at Schoeneckers is to develop incentive programs for Schoeneckers' clients. In that capacity, I have become familiar with many forms of incentive programs (by way of example, programs that encourage buyers to continue purchasing product or services from the same source) and incentive programs (by way of example, programs that encourage employees to be more productive). I am also familiar with the incentive and loyalty programs that existed in the marketplace before, at and after the date the Application was filed in 1999.
4. In the course of my work, I became familiar with the use of incentive programs as motivating tools. The participants in a given program are motivated to take some action or accomplish a sponsor-designated minimum objective in order to receive a reward. These are usually specific, time-sensitive objectives.
5. From my work in this area, I understood that the goal of motivational programs was the achievement of defined objectives by participants, which objectives were always determined by the sponsor. In the majority of the cases, participants could earn rewards by exceeding a minimum baseline objective established by the sponsor. The extent of their rewards was dependent on the extent to which they exceeded the baseline objective. No sponsor wanted to pay for programs that did not meet the sponsor's minimum baseline.
6. In order for an incentive program to succeed, the sponsor must convince the participants to make an effort to achieve sponsor-established minimum baselines. Personal

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commitments are difficult where the participants believe they have little or no input into the goals viewed as arbitrarily established by the sponsor.

7. I believe that the strongest motivators of human behavior are risk and reward.

8. I believe that people are most likely to achieve goals of their own choosing.

9. With these understandings, I conceived an incentive program that uniquely involved a "menu" of defined minimum objectives established by the sponsor paying for the program, such menu being made available to the participant to encourage personal commitment to the program, and a risk/reward system where greater risk gave rise to significantly greater reward as a motivator.

10. Schoeneckers presently has over 96 clients utilizing the incentive program which is the subject of the Application, marketed under the trademark GoalQuest®. Schoeneckers is presently operating 172 active GoalQuest® programs. With each client, Schoeneckers may provide one or simultaneously operate numerous GoalQuest® incentive programs on behalf of the client. Schoeneckers currently has 31 clients that are or have collectively operated a cumulative total of 118 GoalQuest® programs. The fact that this many clients chose to simultaneously run two or more GoalQuest® programs is a strong indicator of the commercial success of the GoalQuest® program.

11. There have been 160,777 participants eligible to participate in the GoalQuest® program; of these potential participants, 111,993 participants have selected a goal and have participated in the GoalQuest® program.

12. The GoalQuest® program and method as conceived and operated since the inception of the program are as described in claims 1, 6 and 24. The GoalQuest® program has been a great success for Schoeneckers. The corporate sponsors of the GoalQuest® programs pay Schoeneckers a fee. In late 1999, the first GoalQuest® program was introduced into the marketplace. In Fiscal Year 2001-2002, Schoeneckers generated \$441,207 in revenues from the GoalQuest® programs. In Fiscal Year 2002-2003, revenues from the GoalQuest® program were \$2,575,584. In Fiscal Year 2003-2004, revenues from the GoalQuest® program were \$4,803,125. Revenues from the GoalQuest® program for Fiscal Year 2004-2005 YTD are \$4,792,983, with 5 months left in the 2004-2005 Fiscal Year.

13. When the GoalQuest® program was first conceived, I anticipated that the GoalQuest® program could bring about a significant increase in sales of Schoeneckers' incentive

programs, because no one in the incentive field was known to have combined a menu of sponsor-defined goals, participant selection of one of the goals from such menu of sponsor-defined goals, coupled with a risk - reward system that encourages the participant to strive for higher performance levels to achieve greater rewards. Because Schoeneckers tracks its program performance and business relationships, it is known that the GoalQuest® program expanded our client base as well as the volume of business we have with our current customers.

14. Because of Schoeneckers' confidence in the success of its GoalQuest® program, applications for patent protection were also filed in the Europe and Canada, all of which are still pending.

15. To my knowledge, Schoeneckers was the first provider of incentive programs to conceive of this program, and Schoeneckers remains the only incentive program provider offering this functionality.

16. The GoalQuest® system as described in the claims pending in the Application is also being marketed in Europe, the Middle East, Asia Pacific Rim, Mexico and Canada, with widespread success.

17. I have reviewed claims pending in the Application. The GoalQuest® system has always included the features covered by these remaining claims. Specifically, with regard to certain features of the remaining claims, the GoalQuest® program has always included at least the following elements:

creating a hierarchy of participant performance levels defined by a program sponsor, including a minimum threshold level of performance, each successive performance level above the minimum threshold level of performance defining a higher degree of achievement than the previous performance level;

associating at least one reward with achievement of each specific level of performance, such that the participant's reward for achieving each performance level above the minimum threshold level is of significantly greater value than the reward associated with a participant achieving the previous, lower performance level;

requiring each participant to select a specific level of performance to be achieved by the participant from the hierarchy of sponsor-defined levels of performance;

storing actual performance data of each participant;

comparing the actual performance data of the participant to the selected performance level criteria, and generating a result indicating whether the participant achieved the participant's selected level of performance; and

granting to the participant the reward associated with the participant's selected level of performance only if the participant achieved at least the participant selected level of performance.

18. The success of any incentive program is subject to environmental factors. The market for these types of programs is dynamic, not static. However, I believe that the predominant factor involved in the success of the GoalQuest® program is the unique combination of features of the program. The marketing efforts by Schoeneckers for the GoalQuest® program as described in the pending patent claims were initially limited in that Schoeneckers desired to make a limited allocation of its personnel to the project until market reaction justified expanding the marketing effort. The resources allocated to marketing the GoalQuest® program today are the same as any other incentive program offered by Schoeneckers. No special price concessions or other enticements have been offered to artificially create a market for the GoalQuest® program; in fact, Schoeneckers now charges a premium for purchase of the GoalQuest® program due to its popularity and success. Sponsors are attracted by the personal commitment or "buy in" they obtain from participants who are encouraged to achieve high levels of goals (because of the higher level of reward associated with the higher risk of failure), and the cost for the sponsor is often less than for many other competing programs and performance by the participants is enhanced. Performance tracking for the GoalQuest® program has indicated that 54% of the participants in the GoalQuest® program achieve above the base line level (the level that they would achieve in the absence of an inducement). This value corresponds to 23% in other Schoeneckers incentive programs.

19. The commercial success of the GoalQuest® program was anticipated when the GoalQuest® program was conceived because of its unique functionality. Schoeneckers was the first to reduce the functionality of the GoalQuest® program to practice. Uncountable incentive programs have been conceived and offered for sale in the incentive industry throughout the years; however, none are known to me to have this program functionality or level of commercial success.

20. Schoeneckers offers a great variety of incentive programs to its clients. Competitors of Schoeneckers also offer a variety of incentive programs to Schoeneckers' clients. The GoalQuest® program has successfully competed against all of these programs to the point that Schoeneckers' customers that have used the GoalQuest® program have frequently chosen to run multiple versions of the GoalQuest® program simultaneously. The commercial success of

the GoalQuest® program has separated Schoeneckers from its competitors and has given Schoeneckers a competitive advantage in the marketplace, both in the United States and outside the United States.

21. The incentive award business has for many years needed a system and method that offers the advantages of the claimed invention. The GoalQuest® program has filled a demand that has existed in the incentive award field for a more effective motivator of participant performance.

22. It is my best estimation and expectation that the GoalQuest® program and the method covered by the pending claims will continue to be successful, and I expect sales, as well as the amounts deposited in participants reward accounts under the GoalQuest® program, to continue to grow.Schoeneckers, Inc.

By: _____

Its: Senior Vice President

STATE OF Florida
COUNTY OF Lee

Subscribed and sworn to before me, a Notary Public, this 22nd day of February, 2005, by John Jack, the Senior Vice President of Schoeneckers, Inc., a Minnesota corporation, on behalf of the corporation.

Kathleen B. Shollar
Notary Public

